



Remarks For

The Hon. Steven C. Preston  
Administrator  
U.S. Small Business Administration

Delivered At The

**PHOENIX AWARDS BREAKFAST-HONORING DISASTER  
RECOVERY AWARD WINNERS**

Washington, DC

April 24, 2007  
8:30 am

Thank you, Mike, for the nice introduction.

I hope you all enjoyed the reception last night. I don't know if there is a venue anywhere in Washington that can beat the location that we were in last night. Not only were the rooms beautiful, but they were packed the history of our country and the views were among the best in the city.

I would like to begin this morning by giving a special thank you to our disaster award winners this morning. Your courageous service and acts of volunteerism to the small business community during very difficult times is an inspiration to all of us. So many of you continued to extend a caring hand to others and serve others through your businesses in the midst of disasters which affected you in the same way as those you were serving. There is nothing like the unbeatable spirit of the entrepreneur.

In a natural disaster, small businesses are the hardest hit, because their facilities, their customers, and their employees are often all in the affected areas. However, they are also often the first to get back on their feet, because they are committed to their communities, because they are nimble in responding to the post-disaster economy, and because it is in their blood to survive. As a result, it is essential that we have mechanisms in place to help small businesses get back on their feet following a disaster.

The SBA plays a very significant role in our nation's natural disasters. Some of you might not realize that the agency provides low-interest, long-term disaster loans to homeowners and small businesses who have suffered from a disaster.

Like every other level of government – local, state, and federal – SBA was initially overwhelmed by Hurricane Katrina. The Gulf Coast hurricanes of 2005 resulted in SBA's largest disaster response in its history. The agency received over 420,000 loan applications and approved almost three times the dollars of the next largest disaster in agency history. This demand surge left the agency struggling to meet the needs of thousands of disaster victims.

I came to the agency almost 11 months after Katrina. Up to that time, the agency had made important progress addressing the disaster's unprecedented challenges by expanding its capacity in three areas: information systems, staff, and facilities.

But we still had 120,000 disaster victims in our process who were desperately trying to get their lives back. If that doesn't motivate you, just spend some time down there seeing the devastation, looking at people's faces, and listening to their stories – it's not hard to get a sense of mission

As we looked at the problems we faced in the disaster loan operation, we started out by listening hard to the disaster victims. We also listened hard to our employees who were close to the action. I always say 90 percent of the right ideas are in the organization somewhere. You just have to find them, shape them, and give them life. Finally, we dug deep into the operational processes and we found a multitude of issues leading to high error rates, steep backlogs in critical processes and decision-making bottlenecks.

Armed with this information, I convened a three-day, senior staff “lockdown” in Fort Worth, where we dug into the issues and began reengineering our processes to address our issues. Ultimately, we invested thousands of man hours to launch a new process that was complex to implement but simple in concept:

- Each borrower would have a case manager. By doing so,
  - we would have a person on our team accountable to the borrower—up to this point, our customers were getting a call center and talking with a different person every time they called;
  - we would help borrowers get their paperwork done right the first time, eliminating confusion, rework, and frustration;
  - we would give borrowers a more compassionate, responsive experience.

- We also moved 1,300 staff and changed our entire work flow, from a production line with inadequate coordination and communication between functions, to 15-person integrated teams where each function is represented, with authority and competency to make decisions, ensure accountability, and manage for results.

We started by contacting over 90,000 borrowers in the Gulf to introduce them to the new process and begin recording the issues they faced, so we could have a data base to provide much better insight into borrower challenges.

Most of our borrowers were stuck in a backlog attempting to modify their loan request. We reduced backlogs by over 90 percent, and the age of that backlog from 2 ½ months to one week days.

Of the 160,000 applicants with approved loans from the 2005 Gulf hurricanes, 98 percent have now either received all or some of their loan money, or have chosen not to proceed with their loans, generally because they secured funds elsewhere.

Of the \$7 billion in approved loans requested by borrowers, we have now put over \$5 1/2 billion in SBA disaster-assistance funds to work rebuilding businesses and homes in the Gulf.

About 16,000 borrowers remain in process, and 87 percent of these individuals have received a portion of their funds. Many of these borrowers are experiencing outside challenges including issues with insurance, utilities, and obtaining documents, which delay their drawing down funds.

Do we still have issues? Of course. With an operation of this scale, we will always have issues. However, the feedback we are getting from legislators, local leaders, our employees, and most importantly, the disaster victims we are striving to help, is very positive. In addition, we are getting overwhelmingly positive responses from victims of more recent disasters on the responsiveness to our borrowers and the level of customer care that they receive.

As we look to the future of Disaster Assistance, we will:

- Complete process reengineering and improve automation to ensure it is fully in place for future disasters;
- Finalize detailed surge plans, so we have clear, well-documented play books and implementation models in place, based on the size and nature of the catastrophe; and
- Explore opportunities to work with the private sector in areas where it can provide more efficient and effective disaster support.

SBA has changed the way to do business, both in disaster and small business areas.

Admittedly, I came to this role with a bias toward operational solutions because of my business background. But it appears to me that when there is a problem in government, we often try to address it with a new policy, a new law, or a call for burdensome oversight, when the solution may be fixing a process – that is, an operational solution.

That is certainly what I saw with our disaster program.

I think we heard something very important from Fran Townsend yesterday. In a disaster, the real heroes are often those who are serving as neighbors, as colleagues, as not-for-profit organizations. And for those of us in this room, the real heroes are you all, the award winners. You went the extra mile, helped those in need, and got businesses back up and running by taking that capital and putting the muscle and determination into it to bring your businesses back to life. And you, as first movers, allowed your employees to have a place to work and were the catalyst for communities to come back to life.

I would like to share a story with you that I also told during my confirmation hearing which illustrates how some entrepreneurs went the extra mile during the aftermath of the 2005 hurricanes. I visited New

Orleans for the first time last year. I had spent several hours touring the devastation. For miles you could see virtually no activity. As we were leaving the lower Ninth Ward, among the endless rows of hollow buildings, one shining exception stood out – a small, Hispanic-owned grocery store, freshly painted white, with sparkling windows, and a brightly painted sign overhead. People were scrubbing the floors, stocking the shelves, cleaning the sidewalk out front – preparing to reopen.

As I looked at the emptiness surrounding this tiny pioneer, I wondered why they were taking such a risk and whether they would survive. Then I realized that I was seeing just why small business is so crucial to our nation and its spirit.

It's small business's readiness to take risks, the grit to stick out the hard times, the commitment not just of capital but of passion, and the devotion when others falter -- all of this that puts small businesses at the heart of strong communities throughout our country.

I would like to thank our award winners for being those businesses.

*Introduction:*

*Secretary of the U.S. Department of Commerce Carlos Gutierrez*



It is my great pleasure to introduce our next speaker. Secretary of the U.S. Department of Commerce Carlos Gutierrez was appointed by the President in 2005 to oversee a diverse Cabinet agency with some 38,000 workers and a \$6.5 billion budget focused on promoting American business at home and abroad. His Agency gathers vast quantities of economic and demographic data to measure the health and vitality of the economy, promotes U.S. exports, enforces international trade agreements and regulates the export of sensitive goods and technologies.

The former chairman of the board and chief executive officer of Kellogg Company, Secretary Gutierrez is a core member of President Bush's economic team.

Secretary Gutierrez is an advocate of small business and a SBA partner who understands that the small business sector is critical to creating new jobs in a dynamic and growing economy. In fact, the Department of Commerce provides assistance through a variety of media resources to help small businesses comply with enforcement regulations and paperwork requirements.

He is working to continue efforts to improve the national economy, spur economic growth and create jobs, all areas in which small businesses play a major role. He is also another example of the remarkable talent that the President has assembled on his team to serve every one of us in this room.

And in addition to all of that, he is a wonderful individual and I am thrilled that he is joining us.

Please help me give a warm welcome to U.S. Department of Commerce Secretary Carlos Gutierrez.